



Unveiling the Unspoken Truth

Study Shows the Financial Challenges
Women Face During and After Divorce

By Stacy Francis, CFP®, CDFA®, CES

Even among the younger generations, a lack of financial knowledge and preparedness is keeping women from ending bad marriages and being financially successful post-divorce.

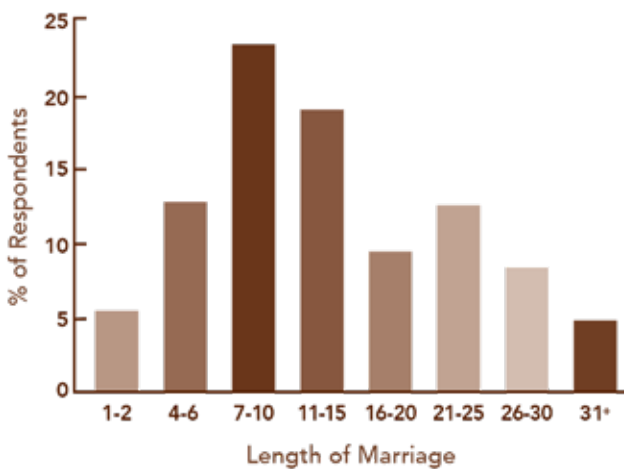
Women currently control \$14 trillion (51%) of personal wealth in the US and are expected to control \$22 trillion by 2020. On the surface, it looks like they are doing pretty well.

Despite these increases in wealth, however, the path to financial security for divorced women has many obstacles.

At Francis Financial, we conducted one of the first studies focused solely on women who have divorced or are in the process of divorcing. With our study “Women, Divorce and Money,” our goals were to let planning professionals know the emotional, legal and financial challenges that women face. We want to give professionals the tools to better support divorcing women during the process.

We interviewed 150 participants from over 25 states, with an average age of 49 and an average marriage length of 10 years. 85% were employed full- or part-time, 81% had already finalized their divorce, and 84% had children. About half had a net worth of at least \$500,000 (so there were money concerns even among those who had money).

Number of Years Married



Money is Their Number One Worry

Women’s concern about money even topped their concern about children—not because they are bad moms, but because they were scared to death that they wouldn’t be able to provide for their children financially.

During their marriage, their biggest concern about money had been (surprisingly) their husband’s spending habits, outweighing paying bills and saving for retirement. According to AARP, 53% of women cite their husband’s spending habits as what led them to divorce. When couples argue about money, these fights are passionate and volatile.

During the divorce process, their top concerns were money (86%), children (74%) and living situation (70%).



What this tells planners: We need to think holistically about our clients. Women are concerned about all these issues at once.

What specific money issues concern divorcing women the most? 52% of respondents experienced a downward shift in their standard of living after divorce. 66% knew that they weren’t saving enough—that they wouldn’t be able to afford their current lifestyle when they reached an older age.

Regardless of how the participants measured economic security, 52% did not feel financially secure after their divorce (compared to 33% who did). Worst of all, 15% do not understand their financial situation enough to know if they should be worried about it. Eleven percent had no idea if they were saving enough. This breaks my heart—these women have their heads buried in the sand about money matters.

Forty percent of the women were worried about saving for retirement, and 31% were worried about taking care of their children.

Focus on plans for children: Women are concerned that their decision to divorce will negatively affect their children, so you should ask clients about their goals and hopes and dreams for their children. They're also going to want to hear how you are going to protect and grow their assets. The majority of these women don't have their own CPA when they divorce, because their husband always dealt with the accountant.

Expertise in Handling Day-to-Day Finances

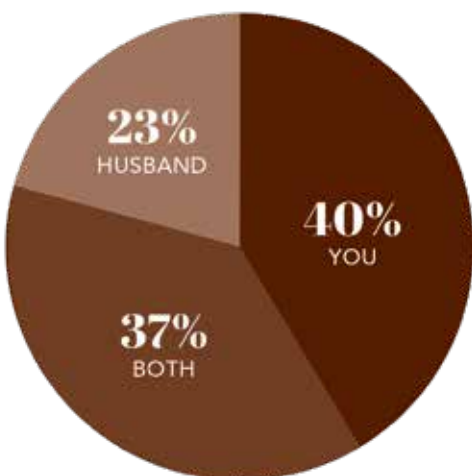
While the survey paints a troubling picture of the women's long-term financial preparedness, respondents were relatively secure with their day-to-day finances.

Forty percent of the respondents reported that they paid all of the bills without the help of their husbands (37% shared that role). Ninety percent had a clear understanding of their own cost of living—these are women who know exactly where they spend their money.

In fact, 59% shared that they were most satisfied with their financial situation when they were not married (either before or after their marriage), which may be due to the ability to control their personal finances.

Budgeting stats: Women were almost four times more likely than men to improve their spending habits after the divorce (42% to 12%), according to the 2017 AICPA

Who was responsible for paying everyday bills during your marriage?



Women Face Very Real Financial Headwinds as a Result of Divorce:

- After divorce, the average woman's income falls by more than a fifth.
- Individuals need more than a 30% increase in income to maintain the same standards of living they had prior to divorce.
- 3 out of 4 divorced mothers do not receive full payments for child support (and that's not even counting alimony).
- Research suggests that women usually do not fully recover from the financial consequences of divorce. These challenges follow them for the rest of their lives.

Personal Financial Planning Trends Survey. For many women, divorce signaled financial freedom and a respite from their frequent money-related disputes with their former spouse.

Studies show that women are more likely to recognize the gaps in their financial knowledge, and more interested in filling those gaps. Their confidence will increase substantially as they learn more.

Women's Challenges with Investing

While 72% of women are confident that they can manage the family budget without help, only 28% are confident about selecting the right investments. This is due to the fact that only 57% of women were solely or jointly responsible for investment decisions during their marriages. That lack of experience makes them feel less confident in their investment strategy after their divorce.

Only 35% said they understood their investment portfolio and strategy. Many of these women did not have a relationship with their financial advisor while they were married, so investing is a challenge now that they're on their own.

The unfortunate truth is that 11% of women don't know how their portfolio is invested; 8% aren't investing at all.

Frequent Mistakes Women Make During Divorce

- Not understanding spending. Women are only ballparking what they're spending. They are going through a trauma, and they're not thinking straight.
- Failing to consider the long-term.
- Taking the home is one of the biggest mistakes we see. Far too many women have to sell within three years, and then they have to pay capital gains taxes and all the seller fees.
- Not knowing all the assets.
- Not understanding the tax impact.

This is where you come in: They wish someone had protected them from making these mistakes in the first place.

Silver lining: As women better understand investing, they begin to take appropriate risk to prepare for their financial future.

Mediation Out-Performs Litigation

We've all noticed growing interest in litigation alternatives, and, in fact, our survey results show real buyer's remorse among women who decided to litigate their divorce. Forty percent of respondents used litigation in their divorce, but after going through the process, only 13% would recommend it to others. Studies claim cases that go to trial can take over 17 months, when the national average length of divorce is 10.7 months. For our respondents, it took even longer. For nearly half of the women (48%), it took more than two years to finalize their divorces.

Instead, 40% of the divorcing or divorced women recommended mediation (which only 23% actually used) and 38% would recommend collaborative divorce (which only 27% used).



We see a lot of women who think they're safe, but are actually putting themselves at risk because they often live longer than men and thus will need more income in retirement.

Advice: In your practice, you need to be comfortable with non-litigation processes. What divorce was ten years ago is very different from what it is today and what it will be in ten years.

Forming a Support Team

My goal as a financial planner is that we become the hub for the whole support team. Women really need a team—it shouldn't just be them and their attorney.

Sixty-four percent of the respondents said that a financial advisor would have been helpful to them during their divorce. Here's what they wanted in an advisor:

1. The most important quality they want in a financial advisor is honesty – they need to trust that they'll be supported and treated fairly.
2. Interestingly, 46% of women believed it was critical or somewhat important that their financial advisor be a woman. They said that they hoped a woman "won't judge me—she'll understand my story."
3. Eighty-seven percent thought it was important that their advisor be a comprehensive wealth manager. They want someone who can offer a holistic view of their entire situation, not just be a money manager.

As for CPAs, 29% of respondents had neither an accountant nor a CPA, which means that they're still doing their taxes on their own.

Estate planning is one of the most overlooked pieces when going through a divorce. Fifty-seven percent of respondents didn't have an estate planning attorney during the process.

Recommend Therapy: Many women going through divorce don't have a therapist, but 60% of respondents said a therapist would have been helpful to them. We always ask, "who are you talking to about this?" And then we recommend two or three names to them. At Francis Financial, we pay for the first two sessions with a divorce coach, because it gives our clients their own personal advocate and helps them make better decisions. Coaches have different professional backgrounds, and are selected based on the specific needs of the clients.

What Women Wished They Had Done Differently

- **42%** of the women wished that their divorce took less time. The longer the divorce takes, the more it costs.
- **35%** wished they received more money.
- **22%** wished they better understood the finances of their divorce.
- **20%** wished they had a different divorce attorney.
- **15%** wished they had a different asset agreement.
- **12%** wished they had a different custody agreement.

Give Your Clients Confidence

Women also need a confidence boost—in fact, studies show that women who invest realize higher returns than men, because they're better at staying the course with their strategy.

Above all, women going through divorce need a judgment-free zone. This is what keeps them from reaching out to a financial professional in the first place—they feel ashamed that they didn't know these things yet, and are worried they'll be judged for their ignorance. Women need to feel comfortable talking about money, in order to make smart decisions to secure their financial future before, after or during divorce.



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Stacy is President and CEO of Francis Financial in New York City. She attended the NYU Center for Finance, Law and Taxation, and has almost 20 years of experience in the financial industry. She also founded Savvy Ladies™, a nonprofit organization that educates and empowers women to take control of their finances.

For the full study, visit: [francisfinancial.com/wp-content/uploads/2017/08/Francis-Financial-WhitePaper_Digital.pdf](https://www.francisfinancial.com/wp-content/uploads/2017/08/Francis-Financial-WhitePaper_Digital.pdf)